



09/518,837

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant(s): Frank D. Tuttle	Group Art Unit: 3628
Application No.: 09/518,837	Examiner: Frantzy Poinvil
Filed: 03/03/2000	Attorney Docket No.: 800470
Title: Loan Compliance Auditing System and Method	

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RESPONSE UNDER 37 CFR 1.111**Introductory Comments**

Dear Sir:

The Applicant thanks the Office for the careful consideration given the application in the communication. In a first Office Communication having a mail date of March 4, 2003, Applicant amended claims 1, 2, 3, 5, 6, 7, 8, 9, 14, 17, and 18 to further distinguish Applicant's claimed invention and to enable allowance of these claims by overcoming the 35 U.S.C. § 101 non-statutory subject matter rejections made by the Office. The Applicant believes that the claims, as amended, define over the references cited in the Office communication of March 4, 2003 and the references cited in the present Office communication having a mail date of September 8, 2003. Applicant contends that the cited references neither structurally nor more generally, suggest the claimed subject matter of

Applicant's claimed invention. Contrary to the Office's assertion of obviousness, all elements of Applicant's claims are not disclosed in the cited references of Davidson (U.S. Patent 5,699,527) in view of CompliancePro, discussed by Phil Britt. Therefore, the rejections are unsupported by the art and should be withdrawn. Applicant hereby requests reconsideration and examination of the application, in view of the following discussion.

Present Invention

The present invention provides a computer-implemented method for auditing loan compliance with federal, state and other jurisdictional requirements. These requirements place limitations on allowable parameters that loan originators may use in processing and closing a loan. They also require certain state, federal and other jurisdictional licenses to be held by participating parties in the loan origination process. These strict requirements placed on loan origination entities for protection of loan applicants are enforced by various penalties including fines and loss of applicable licenses.

A typical embodiment of Applicant's invention is a computer-implemented system and method for auditing loan compliance that includes: (1) allowing a user to display, enter and store loan audit compliance data on a computer user interface; (2) allowing a user to interactively build loan compliance rules on a computer user interface and to store the loan compliance rules in a rules database; and (3) responding to a loan audit request by retrieving the stored loan compliance rules and stored loan audit data, comparing the loan compliance rules to the loan audit data to determine a loan audit compliance result, and notifying a user of the loan audit compliance result. Alternatively, loan audit compliance data may be electronically transferred over a communications network from a user to a loan audit server computer for comparing the loan compliance rules to the loan audit data to determine a loan

audit compliance result, and the loan audit compliance result may be electronically transferred from the loan audit server computer to the user over a communications network.

Cited References

The cited reference of Davidson discloses a loan processing system for use by a loan applicant. The Davidson reference discloses a software program that provides an electronic application to be filled out by a loan applicant. The loan applicant then uploads the electronic data file comprising the loan application to a lending institution's computer system. The described benefits to the loan applicant include a savings of paperwork, ease of updating loan data, and receipt of a business plan derived from the loan data file. The described benefits to the lending institution include a reduction in paperwork, standardization of the form of paperwork required, and an ability to ascertain status of a loan application portfolio. The Davidson reference also discusses (column 5, lines 40-53) some of the typical internal procedures used by lending institutions as well as responsibilities of designated personnel who have access to the lending institution's computer system, such as those responsible for overall review of the lending process, security issues, legal issues and matters, auditing, etc. In the description of Figure 5 in the Davidson reference (column 7, line 57 to column 8, line 18), a further description of the flow diagram is provided of the various functions of personnel and departments within the lending institution, including persons responsible for loan approval, security, marketing, auditing, legal, accounting, and payment. The Davidson reference also describes many benefits (column 9, lines 19-50) that derive from the use of the disclosed invention, including reports of benefit to an auditor of the loan institution that may include demographic information, savings of time and paperwork as well as quick access to data, branch performance reports, quick updates to

loan files, and the ability to modify the content of questions posed to the loan applicant to take into consideration changes in relevant law or policy of the lending institution.

In contrast to Applicant's invention, the Davidson reference describes the internal operation of a lending institution where the steps of processing loan applications are performed manually by various personnel, based on reports generated from the electronic submission of the loan application by the loan applicant. As the Office has pointed out in the present communication, while the Davidson reference discusses responsibilities of loan auditor personnel ("review of a loan file to ensure that any changes in lending institution information or regulation is complied with", column 7, line 65 to column 8, line 2), it fails to disclose a system or method employed to audit loan compliance.

The cited reference of CompliancePro by Phil Bret discloses a software system that includes an extensive database of procedures that enable lending institutions to monitor compliance performance throughout the institution. It enables a lending institution to audit a financial institution's policies, procedures and internal controls to ensure that the institution's internal control structure is adequate and functions in accordance with sound accounting and reporting controls. It is capable of supplying federal and state compliance information in printed format to mortgage lender subscribers to enable them to stay abreast of recent changes in laws and regulations. Contrary to the assertion by the Office, CompliancePro does not notify a loan audit request user of a determined loan audit compliance result based on a company's rules and federal and state regulations, CompliancePro does not audit loan data for compliance with regulatory requirements, and there is not disclosure of this capability in the cited reference. The cited reference does disclose (page 3, line 12-14) that CompliancePro "delegates accountability for compliance

throughout a financial institution, and documents procedures performed and exceptions cleared.” “It identifies the records and reports that should be filed and what has been filed.” (page 3, lines 19-20). In other words, it performs a monitoring function to ensure that various personnel and departments have manually satisfied certain compliance monitoring activities. Also contrary to the assertion by the Office, there is no disclosure in the cited reference that would “allow a user to enter a type of loan and related variables and retrieve applicable stored compliance rules and regulations to compare against loan data.” Although the cited reference “enables financial institutions to distribute compliance information electronically between departments and branches” this information consists of text-based information such as the “Federal Guide” and other textual summaries of laws and regulations. There is no disclosure in the cited reference of rules derived from these textual requirement documents that are executable by a computer system. Also contrary to the assertion by the Office, there is no disclosure in the cited reference that “also allow a bank, financial institution or user to build or customize compliance rules”. The cited reference does disclose “Each institution can tailor the product to match its own business strategy”. There is no disclosure of customizing compliance rules in the cited reference. In addition, the Office rightly asserts that there is no disclosure in the cited reference of applicable licenses with a loan originator.

The Office has asserted that inputting licensing requirements to determine loan compliance would have been obvious to one of ordinary skill in the art. Applicant suggests that if it were obvious to one of ordinary skill in the art, it would have been previously disclosed in a reference. Applicant requests that the Office cite a reference that suggests that determining loan compliance with regulatory requirements should be based in part on

licensing requirements of the participants, since it is not obvious to skilled artisans in the art and there is no mention of this feature in the cited reference.

There is also no disclosure in the CompliancePro reference of identifying an entity processing a type of loan having a type of error or auditing rule, since the cited reference does not disclose automated auditing of loan data with regulatory compliance requirements, and does not disclose auditing rules.

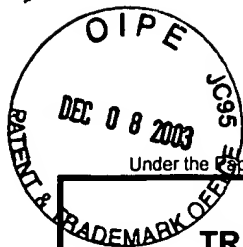
Furthermore, even if the cited references of Davidson and CompliancePro were combined, as suggested by the Office, the combination would not equal Applicant's disclosed invention. The result would be a system for monitoring activities within a lending institution to track whether personnel have manually performed assigned duties. There is no disclosure in either of the cited references of an automated loan auditing system for determining compliance of loans with federal, state and financial institution rules.

In summary, the CompliancePro reference describes a software product that provides textual compliance information, computer generated checklists and procedures for personnel within a lending institution to follow when processing loan applications, where trained personnel determine the compliance steps manually. There is no disclosure of an automated system for comparing loan audit data with loan compliance rules for determining loan compliance.

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TRANSMITTAL FORM <i>(to be used for all correspondence after initial filing)</i>	Application Number	09/518,837	RECEIVED DEC 19 2003 GROUP 3600
	Filing Date	Mar 3, 2000	
	First Named Inventor	Tuttle, Frank D.	
	Art Unit	3628	
	Examiner Name	Poinvil, Frantzy	
Total Number of Pages in This Submission	26	Attorney Docket Number	800470

ENCLOSURES <i>(check all that apply)</i>		
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Date	December 8, 2003		

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